

WASHINGTON STATE GAMBLING COMMISSION

MINUTES COMMISSION MEETING THURSDAY, JUNE 13, 1996

Chairman Tull called the meeting to order at 1:42 p.m. at the LaConner Country Inn/Vantage Room, LaConner, Washington.

MEMBERS PRESENT: ROBERT M. TULL, Chairman; EDWARD HEAVEY; and CURTIS LUDWIG; and Ex Officio Member REPRESENTATIVE RUTH FISHER.

OTHERS PRESENT: FRANK MILLER, Director;
BEN BISHOP, Deputy Director;
SHARON TOLTON, Assistant Director, Special Operations;
SHERRI WINSLOW, Assistant Director, Field Operations;
CALLY CASS-HEALY, Assistant Director, Licensing Operations;
CARRIE TELLEFSON; Special Assistant, Public Affairs;
MICHAEL AOKI-KRAMER, Rules and Policy Coordinator;
CINDY REED, Communications Coordinator, Public Affairs;
and SUSAN GREEN, Executive Assistant.

Chairman Tull said Director Miller has requested an executive session at the end of the public session to discuss pending investigations and litigation. He also noted there is a problem gambling presentation on today's agenda.

LICENSE APPROVALS

NEW LICENSES, CHANGES, WITHDRAWALS AND TRIBAL CERTIFICATIONS

Commissioner Heavey moved for approval of the new licenses, changes, withdrawals and tribal certifications as printed in the published agenda; **Commissioner Ludwig** seconded the motion. *Vote taken, motion carried with three aye votes.*

REVIEW OF FRIDAY'S AGENDA

Carrie Tellefson said tomorrow there is a staff report by Deputy Director Ben Bishop regarding the bingo task force final report to the commissioners. She said there are also two Phase II reviews involving the Squaxin Island Tribe and the Upper Skagit Tribe. There are 15 rules up for final action, one rule up for discussion and three new rules up for discussion and possible filing. She noted there are addenda to the agenda that set forth card room rules to implement the legislative changes that were made during the last session, and a rule regarding legislative changes to amusement games. The addenda are in the handout packet and available on the back tables. There is also a rule up for filing that would set forth effective dates for Commission rule making orders. Another item on tomorrow's agenda is an acknowledgment of a correction on a rule that was filed with the Code Revisers Office. No action needs to be taken on this last item.

Director Miller said the Legislature passed a bill that changed the definition of social card rooms to allow for up to 15 tables, a rake, and progressive schemes. WSGC staff has been working with the industry in looking at ways to implement these changes. Staff is requesting that the Commission pass, on an emergency basis, a rule to allow individual contracts with licensees as to the terms and conditions upon which they would participate in the test. It would give the staff great flexibility in bringing forward one packet of well-thought-out rules next year. This is a very complex area, and a test with different specifics for different licensees makes sense. Each contract and licensee would come forward monthly so the commissioners will know the terms of each test prior to implementation and could approve or disapprove individual applicants.

Director Miller said the next issue is amusement games. He explained that there had been a bill before the Legislature that would have allowed crane and amusement games to be located in restaurants such as Denny's and Shari's. Right now, amusement games are located in grocery stores, in arcades, at fairs and in lounges. The bill died in the Senate. On the last day of session, when the Legislature passed the budget including the one-time reimbursement to the Gambling Commission, they added a section stating that the agency must do a study as to the potential revenues that could be generated for the state if amusement games were placed in restaurants. It was unclear as to how the test was supposed to be conducted. Senator Loveland recently wrote a letter to Ben Bishop stating that the Legislature intended that amusement games be placed in restaurants for six months and then report to the Legislature in January. An emergency rule was drafted and is before the Commission to allow that location for the test, and the WSGC would prepare a report of what the revenues are regarding local tax and state revenues.

QUALIFICATION REVIEWS

SEATTLE CASCADE BOOSTER CLUB, Seattle

Ms. Cass-Healy said this is an educational organization with a Class "J" bingo license, a Class "K" punchboard pull tab license and a Class "A" amusement game license. Their statement of purpose is to "support and promote activities of the Seattle Cascade Drum and Bugle Corps." The organization's primary activity is to provide funding to cover travel, staffing, uniforms and instrument expenses of the Seattle Cascade Drum and Bugle Corps. The executive director and program staff coordinate a year-round training program for four flag teams and a musical corps. These teams consist of youth between the ages of 9 and 21.

They served 38 color guard participants and 95 marching band participants last year through 21 employees and 30 volunteers. Net gambling revenues totaled \$283,357 for the year. Bingo net income was \$171,550, and they spent \$339,495 in support of their stated purposes. The summer drum and bugle corps band participated in a five-week tour through California, Utah, Colorado, parts of the Midwest, Ottawa, Ontario, and culminated with one week of national music games in Buffalo, New York. The organization also sponsored a color guard team at the Northwest Pageantry League of Shows where they competed against other teams throughout the region.

Two employees earned more than \$30,000 during the year. Staff recommends approval for qualification as an educational organization for the purposes of gambling in the state of Washington.

Chairman Tull asked when this organization will next come before the Commission again for its formal review; **Ms. Cass-Healy** said in two more years.

Commissioner Heavey noted he has a problem in general with bingo managers who are paid substantial salaries but also have a full time job. He said it seems to him that someone is being paid more money than the hours they put in, so he requested an examination of that issue. **Chairman Tull** said the Commission has taken a look at what constitutes full-time employment by the licensee, and the number of hours worked are listed in the report. One individual in this report is listed as working 2080 per year, which is considered full-time. **Ms. Cass-Healy** said this issue has been brought up before. She said the staff relies on what is reported by the organization, which was questioned. She said the only other options would be for the staff to go out and audit their actual job duties and hours. **Director Miller** said it is of concern when someone is listed as working full hours but they also have a nine-month job somewhere else full-time. Bingo is run only three nights a week, and this group runs its game on Monday, Tuesday and Wednesday.

Chairman Tull said that it may be important to know these things, but he feels that the organizations and their boards should be informed that they should be comfortable and able to defend the assignments, schedules, and salaries. The history includes past discussions on whether the Commission should establish and regulate terms of employment, especially compensation for employees of licensees. The eventual decision was to not do that, but to be aware and put appropriate pressure on licensees to monitor their own internal affairs and be prepared to defend them. He said Commissioner Heavey's question is timely and worthwhile in keeping that issue always in focus.

Commissioner Ludwig noted that the primary bingo manager is listed as putting in 2080 hours; and the assistant bingo manager is listed as a 9/10-time employee but works the same number (2080) of hours. **Chairman Tull** said that there have been problems in the past with people understanding how to fill out the forms, so this matter should be cleared up. **Commissioner Ludwig** said the point is, if one is a full-time employee, then the other is also.

Commissioner Ludwig moved to approve this licensee for qualification; **Commissioner Heavey** seconded the motion. *Vote taken; motion carried with three aye votes.*

PROBLEM GAMBLING WORKSHOP

Cindy Reed, Communications Coordinator, said she and members of the Washington State Council on Problem Gambling (WSPG) will provide the Commissioners education and awareness on problem gambling. She said that in May 1995, she became the agency liaison to the Council on Problem Gambling. The former liaison, Shanna Lingel, is with the Tribal Gaming Unit and continues as a liaison with the tribes and the Council. Assistant Director Sharon Tolton also has responsibilities with the state and national councils. She said that she'd like to show a video segment called, "Gambling Fever," from the show, "48 Hours," to set the stage for the presentation. She said it gives viewers an understanding of the issue of problem gambling.

The video showed a night in the life of a problem gambler named Tim. He lost \$350 that wasn't even his, and that was all the money he had. He had no money to make a phone call. He got hooked on gambling in Reno when he lived out West, so he moved back home to Deadwood, South Dakota where he thought it was safe. Then South Dakota legalized gambling in Deadwood and he couldn't stay away. At 3:06 a.m., he finally called his sponsor at Gamblers Anonymous, who arrived shortly after 5:00 a.m. The sponsor is a recovering compulsive gambler who talked with Tim about how compulsive gamblers can't stop after winning \$15 with \$5; they must keep playing even if they win \$1,000. The narrator said that there are predictions that someday, fairly soon, everyone in America will live within an easy day's drive of a casino. He said 95 percent of gamblers never get hooked, and gambling fever has brought new life to the old gold mining town of Deadwood, South Dakota. He said there are no big-time gamblers in Deadwood, unless losing everything is considered big-time gambling.

Chairman Tull said that the reason for this presentation today began last Fall or Winter with a conversation he had with Gary Hanson of WSPG. They discussed how there is a transition of Commission members over time and certain things may be viewed differently by new commissioners. This presentation today will help the commissioners become fully acquainted with the people involved in these programs and who work closely with members of the Commission and licensees. He noted that Ann Noel, a former Commissioner, is present today. She was instrumental in moving the Commission and the agency in a very focused and positive direction with respect to getting involved with the complex issues of problem gaming. Ms. Noel became involved with some conferences and reported back to the Commission, worked closely with Sharon Tolton and eventually with other staff members. The Commission has gradually moved forward to make sure the licensee community is aware of and getting increasingly involved in dealing with this problem that is a by-product of the industry. He said most of the industry people recognize that they have that responsibility. He said he attended a nation-wide conference in New London, Connecticut, a few years ago on Problem Gambling that was very useful and he learned more about these issues than he had expected to learn. He thanked Ms. Noel for her historic involvement and great assistance. He said he hopes the Commission will continue exploring this issue. He said it is important to remember that the Gambling Commission is not a social work agency, it is a regulatory agency, so there is a pretty short distance that can be traveled in solving this problem. The efforts thus far have been productive, especially by nationwide standards.

Dr. Charles Maurer, President, WSPG, thanked Chairman Tull for having him speak today and said the word, "explore" is quite appropriate for this issue. He said he is a clinical psychologist who had no knowledge of this issue until he was approached in 1979, by Dr. Bob Custer, who is this country's initial authority on the issue. Dr. Custer invited him, due to his experience working with alcoholism and drug addiction in the military, to undergo a background check and attend ten months of Gamblers Anonymous meetings, during which time three men committed suicide. He noted this is a very serious clinical issue.

Dr. Maurer said not enough is known about problem and pathological gambling. He explained that the terms

"compulsive" and "pathological" gambler are interchangeable. The mental health term is pathological gambling, but not many gamblers want have that label; "compulsive" seems more palatable. He showed overheads regarding the diagnostic criteria for pathological gambling, which has been a diagnosable mental disorder since 1980. Five to seven percent of gamblers have this problem, which is diagnosed as persistent and recurrent maladaptive behavior as indicated by five (or more) of the ten criteria, which include spending a lot of time thinking about gambling and having to gamble with increasing amounts of money to get the same level of excitement, which is the tolerance level increasing as happens with alcoholics. He said compulsive gamblers try to stop but have repeated unsuccessful efforts, although some are able to stop and significantly change their lives. Quite often there is restlessness or irritability, sleep disruption, and gastro-intestinal distress when they stop, which are symptoms of withdrawal. When they get to this level of gambling, it's not a lot of fun or excitement, but is a way to avoid other problems. They chase, which means they spend good money after bad. They are exquisite liars, and at the very end stages they tend to commit illegal acts to get money, which is their key to action. They have burned many bridges in their inter-personal lives at home and work. They tend to rely on others, whether it's a parent, spouse, child, and the court system in terms of bankruptcies to bail them out. He said, from his experience, debt structures can range from zero debt for someone with a lot of available cash to \$9.5 million. He said during the video he was curious as to whether the news crew gave the man the money to make his telephone call. He said the diagnosis includes ruling out manic behavior, which is when behavior escalates rapidly and gambling can be just one of many areas of impulsive behavior that gets swept up in a manic episode.

Dr. Maurer showed a copy of the "South Oaks Gambling Screen," which is a questionnaire. He said this form was filled out by a 31-year-old person in Seattle on March 26. He said this person has primarily been involved in card playing and in horse racing bets, but he has also been involved in every other form except betting on games of skill. He started gambling when he was four years old, and at age six his father took him to a race track where a two dollar bet netted him \$63 in two minutes. He's gambled up to \$1,500 as his bankroll into action; he has a brother who's a compulsive gambler; his grandmother and all of his friends growing up gambled, he chases most of the time when he loses; he lies about winning, which is part of the lie issue; he feels that he has a problem; he gambles more than he intends to, and he scored 14 out of 20 of the scored items on this sheet. If a person scores three or four they are in the problematic region, which is the same as alcohol abuse versus alcoholism. He said this man is a pathological/compulsive gambler. He said this questionnaire is the instrument used to partially make the diagnosis and is the guts of the prevalence surveys that have been administered in the state.

Dr. Maurer said the Lottery Commission very appropriately funded an adult and adolescent prevalence survey conducted in late 1992, which made Washington the seventh or eighth state that had a scientifically-grounded prevalence survey. The researcher, Rachel Volberg, took two cuts, current year gambling and lifetime gambling. For current year gambling, about two percent are in the abusive level, and about one percent are affected by it. He said in a lifetime, 3.5 percent of the people are lifetime problem gamblers, and 2.6 percent are probable pathological gamblers. In looking at the lifetime numbers, more than a quarter of a million people in Washington state have been significantly affected by their gambling activity.

Dr. Maurer said the Lottery Commission also agreed to fund an adolescent survey. The Lottery director was reluctant at first because adolescents aren't allowed to buy lottery tickets. He reminded her that adolescents are not supposed to buy alcohol either. She asked her daughters, who attended Lakeside High School, if kids gamble and they told her there are bookies at school collecting bets every Monday morning. Washington state is the first state in the country with an adolescent survey. The average age of starting gambling in Washington is 12 years old, which he didn't really expect. These adolescents are at-risk and are having trouble in school with their general behavior or in their families with respect to money. Problem gambling adolescents are those who have two or more spheres of their life that are significantly affected by their gambling involvement. He said gambling doesn't create problem gamblers; gambling sits there and people do it or don't do it. When most people do it, they don't have a problem, but a significant number do have problems.

Dr. Maurer said that regarding where this state stands on this issue, Ann Noel attended a national conference in Minnesota, and her attention to the issue and bringing it back to the Commission has created an environment in Washington State that is now a model nationally for other states. This state, particularly in terms of the Gambling Commission's policies, passing legislation with teeth, and funding for the state council has created an environment that is the envy of a number of states. The Council is proud of the fact that this state recognizes that people are going to gamble whether or not there's a Council on Problem Gambling or regulation. He said the Council neither supports or opposes gambling, which is not the case in every state. Some are very anti-gambling and that colors

the entire process. The WSCPG is a nonprofit organization with bylaws mandating that two of the board members are recovering gamblers and two are industry representatives. They have a positive affiliation with the Gambling, Horse Racing, and Lottery Commissions. He said the state is in its infancy with respect to understanding the issue, and are where health care professionals were 40 years ago in terms of alcohol use issues. There is a lot to learn and a tremendous amount of interest in the issue. He said that when he first attended GA meetings a number of years ago, there were only three chapters in the state. Now there are 16-18, which probably paralleled the accessibility to gambling, which includes many other issues besides tribal gaming.

Dr. Maurer introduced Gary Hanson, WSCPG executive director; Deborah Miller-Rost, program administrator, who manages the development of the professional training workshops; David Ryder, who is on the advisory board and will speak today; Steve Griffiths, general manager of the soon-to-be Puyallup gaming casino, brings an industry perspective and a great deal of consciousness as a gaming professional about the downside of gambling. He said Katy Casey is treasurer of the Board and was unable to attend today's meeting. Ron Rudy, president of Trade Products, is the other industry representative. Skip Morehouse and Sheryl Lynn are the two recovering gamblers on the Board. There is also a broad-based advisory board, and all three commissions have agency representatives who provide the WSCPG with information and WSCPG in turn provides them with information on the progress of statewide programs.

David Ryder said he has a few different hats. He said he is a trial attorney and is used to interruptions if anyone has questions. He is a recovering problem/compulsive gambler who quit 13 years ago, and he said he is willing to take questions with regard to the mind of a problem gambler. He said he agrees with Dr. Maurer in that the presence of gambling no more causes compulsive gambling than the presence of alcohol causes alcoholism, but it's the way people relate to what's around them. He said he found assistance through the 12-step program of Gamblers Anonymous. He said there is still a little of the old personality that lives on in being a trial lawyer, which appeals to the gambler's instinct in a more legitimate way.

Mr. Ryder said there's nothing more reprehensible to him than someone who runs around once they've stopped something and says, "Now everybody else, don't act like I did for all these years," whether it's an ex-smoker, and ex-gambler or somebody who's given up drinking. He tries not to conduct himself that way. When the Council was being formed, they specifically did not want it to be a group of recovering ex-gamblers who try to go out and say nobody else should gamble because this group had a problem with it. The Council takes a middle ground; there are a couple of recovering gamblers, a couple of industry representatives, and they are actively recruiting people from a variety of different areas to fulfill the remainder of the board, for both treatment purposes and educational purposes. They try to get as many different perspectives on the board as possible.

Mr. Ryder said the Council educates health professionals and gambling industry representatives, which can raise the awareness level that there is help available to problem gamblers and their families. He said most people know of someone with alcohol problems, which is a more prevalent problem, and most families have been touched by alcoholism and know something about 12-step programs. It's not an identical issue, but he said the way problem gamblers undo their gambling problem is fairly analogous to the way alcoholics or drug addicts undo their alcohol or drug problem. The gambling behavior is the most immediate problem, but recovery involves getting to the underlying issues that cause it. It's true with an alcoholic and with a problem gambler that it's a question of priorities and misguided priorities that can explain the turmoil that builds up around them – friends, family, work, and money all become secondary to feeding the need for action. He said he's willing to take questions on any aspect of what he'd said.

Commissioner Heavey said that 13 years ago there was a much different atmosphere with regard to gambling and help for problem gamblers. He asked how Mr. Ryder was able to get help 13 years ago.

Mr. Ryder said he got help from Gamblers Anonymous, which has been around in Washington since 1961. He gave an example in that his wife found his little sheet which showed what he had bet for the week, which showed a figure about four times the amount he made in a month, and he told her what she saw wasn't the amount she thought. She helped him find Gamblers Anonymous and he looked up the number in the phone book and called. He said he's not sure what he would have done if he had lived in Bellingham or in a rural area.

A woman from the audience asked how operators should handle a person who displays signs of problem gambling; **Mr. Ryder** said there's nothing a "rescuer" can do to turn around a person with problem who doesn't

want to be turned around. She asked what about employees in the casinos who are asked for help; **Ms. Tolton** explained that the issue she's asking about will be addressed later in the program. **Chairman Tull** said her question amplifies the fact that this is not purely an academic topic.

Ann Noel, former commissioner, said she sees problem gambling posters in establishments around the state and it pleases her; **Chairman Tull** said the state is doing a good job in continuing these efforts.

Steve Griffiths said, with regard to the audience question, he may be able to give her an answer about what establishments do with patrons who may be gambling too much. He said he was involved with the Tulalip Casino, which was the first state sanctioned casino, and has subsequently been involved with the Muckleshoot Casino and has consulting oversight at operations such as Swinomish and Nooksack, and is presently working with the Puyallup Tribe on their gaming facility project. He said he also serves on the board of directors for the state Council on Problem Gambling. With the accentuated level of activity in which he's been engaged, there's also a heightened sense of social responsibility as a prime implementor. He said he feels he should be at the cutting edge of trying to, in some way, mitigate the impact of the gaming industry. He said the Council tries to think of ways to offset the impacts to individual people in society who are affected by problem gambling. Although they've set up the state Council's goals independently, when examining models in other jurisdictions, they find the ideas to be very similar.

Mr. Griffiths said one of the ways tribal casinos he's worked with have tried to offset the impacts of problem gambling is by developing a mission statement or policy that recognizes there can be a problem for some people. In gaming jurisdictions like Nevada, they don't acknowledge there's a problem. He gave an example from part of a mission statement that read, "While this policy may not solve the individual's problems, our casino will not allow itself to profit from the illness of a player." Casino staff are educated and trained. He said they typically don't train at the dealer level but instead train the managers who oversee the dealers who stand behind the games and have a much better view of more players. Supervisors then notify management instead of intervening themselves. Intervention can be a controversial topic in dealing with this issue, but he has found it to be desirable in the situations where he has worked.

Mr. Griffiths said that, here in Washington, casinos tend to get the same local patrons regularly, but in Nevada, where there is a denial of the problem, they have patrons from all over who come three times a year. In Washington casinos, management typically knows the people because they are regular patrons who come in three to five times per week. He said they want to be very tactful not to offend them, so they try inviting the person for a cup of coffee and gently suggest they are spending too much time at the casino and might have a problem. If these gentle discussions don't work, they speak with them more openly. The most extreme step they have taken is to actually bar that person from the casino. A lot of casinos will not go to that extreme.

Mr. Griffiths said there are also ethical steps organizations can take. Posting signs and having literature available educates the customers about the problem. Responsible advertising is another step. Since tribes are in the business to utilize funds for social service programs and to provide employment to members, they might question whether they should maximize their profit at any cost. They know through the prevalence study results who the potential problem gamblers are, so they can decide to not target those groups when advertising. In house, the Tribe he works with has employee assistance programs. He said there is also the self-exclusion option where a person can bar themselves from the casino. The same type of format is used when the casino bars someone they don't want back in the facility; however, this is something initiated by the person.

Mr. Griffiths said they have formed a strong alliance with the WSCPG. He said the steps he's mentioned are not a panacea to the problem, but they are steps in the right direction. He said that at one of the busier casinos he managed, there was a woman who came in and lost about \$1,800 in ten hours. This was all the money in the world that she had, and her neighbor called the next day because the woman, a mother with three kids, was depressed and almost suicidal because she had no money and no where to go. She had also written bad checks for the \$1,800. It had been a busy night and they tried to look back and see how this could happen. The checks were for a series of small amounts. They worked with her and put her on a payment program and also suggested avenues for her to get help. The efforts of the casino, no matter how positive, cannot solve or catch all of the problems. He thanked the Commission for its support over the years.

Chairman Tull asked if Mr. Griffiths has seen any increase in problems along with the increased betting limits. He

said Swinomish started out with \$25 betting limits and now has limits as high as \$500. **Mr. Griffiths** said he doesn't think there is a direct correlation between the increased limits and problem gambling, because people gamble at different levels. The woman who lost \$1,800 was making \$10-15 bets. Under any scenario, she probably would have lost the same amount of money. He said there was another gentleman who, as the limits got higher, lost about \$23,000 over the course of a month. **Mr. Griffiths** pulled him aside and chatted with him about a possible problem, the man laughed and said he makes \$487,000 per year on his oil royalties and can afford his losses. **Representative Fisher** suggested the man may have been lying; **Mr. Griffiths** said perhaps he was, but he seemed fairly affluent. He said people gamble at a variety of levels and it's difficult to ascertain whether the limits have an impact on making people problem gamblers.

Representative Fisher asked if there are any efforts to coordinate between tribal operations to help recognize certain problem gamblers who may be going from casino to casino. **Mr. Griffiths** said there are some economic factors that sometimes drive decision making. Certain casinos can afford to bar patrons who are spending a lot of money, but others are struggling and may embrace that person. He doesn't like to label people as problem gamblers either. He said he likes to have informal chats with people to encourage them to do other activities. Barring people becomes a more serious issue. He said he has mixed feelings regarding barring patrons, and gave an example of a woman who has a shop down the street and was barred from the casino but begged them not to bar her. She called Mr. Griffiths and said he ruined her social life because all her friends came to the casino, so he allowed her to come back and not gamble, which didn't work. This is not a black and white issue but one that's quite complex.

Sharon Tolton, Assistant Director for Special Operations, said she'd like to give background on where the Gambling Commission has come since 1990, when Ann Noel returned from a national conference and asked the director at that time to do a special projects report on the issue of problem gambling. Ms. Tolton was the staff member assigned to the project. She began by calling the National Council on Problem Gambling, which was in the process of organizing state affiliates for interactive education and awareness on this issue. She said she was introduced to Dr. Maurer and looked into attending Gamblers Anonymous meetings, but there had been past problems with news media and others attending meetings and nothing positive ever developed as a result. At that time, there were six groups that met in Washington State. The Seattle chapter, which was started in 1961, was extremely active and was the second one in the country to be established. Dr. Maurer arranged for her to meet with two GA leadership members to discuss the direction of the Commission on this project. They, in turn, notified their members that Ms. Tolton would be attending on certain dates, so that if anyone wanted to talk to her they could arrange to do so. The meeting began at 7:00 p.m. and she stayed until almost midnight talking to individual people about problem gambling issues. She was very surprised at the broad variety of people she spoke with at the meeting. Everyone has their own poison and there's no one activity that's more of a problem than another – lottery, card rooms, pull tabs. There were a broad base of age groups and activities they chose to be involved in.

Ms. Tolton said in May of 1990, she issued a report to the commissioners discussing the issues and options for the WSGC. Dr. Maurer was also looking into the possibility of doing a steering committee with his associates to form a state affiliate. She said efforts began to discuss the importance of this issue with the Lottery and Horse Racing commissions and a lot of progress has been made with these agencies since that time. In October of 1990, the agency developed a policy, which will be updated and a draft available for the commissioners to look over soon. WSGC staff also sought support from licensee groups, many of which became involved. They also said problem gamblers are sometimes a big ticket item as far as sales and revenue, but they also became about 90 percent of their problems, since some wrote bad checks or their spouses were calling to tell them not to accept their spouse's payroll check. These were issues the Gambling Commission had not been fully aware of at that time.

Ms. Tolton said the brochure that was developed by the three commissions identifies a 1-800 number for people to call and seek assistance. As the steering committee grew, the Washington State Council on Problem Gambling was established. Each of the commissions responsible for gambling in Washington state have liaisons to that group. In 1992, a legislative report was completed on compulsive gambling. The focus has been on education and awareness. It was unusual for a law enforcement agency with regulatory authority to be involved in addressing this issue. She said she serves on the National Council on Problem Gambling Board, and the WSGC is the only law enforcement agency represented at this point, although there have been a number of additions based on the Washington state model of more industry people involved in addressing this issue.

Ms. Tolton said there has been an increase in legislation and licensee awareness and recognition of this issue, which is evident in that legislation was passed in 1994 requiring signs in licensed establishments for all three commissions. Funding has also helped the Council achieve its mission. The WSGC contracts through license fees so that every licensed establishment under the Commission's purview pays their fair share of what the WSGC asks the Council to do through the contract. She said Ms. Reed has been working on revisions to the contract, and the WSCPG gives the Commission annual information as to what they do with those funds. There is recognition included in tribal-state Class III gaming compacts. Tribal governments have taken a very responsible approach to this issue and have wanted to include this issue in each of their compacts. She said Randee Kerns and Kathy Cleaves are here from the Upper Skagit Tribe. This facility is one that has been very progressive in making sure that these brochures are out and available. They are located near restrooms where people can privately pick one up. They have provided in-house training for employees and there is a provision in the compacts that allows for any fines resulting from administrative violations go to the WSCPG in part or in whole.

Ms. Tolton said that, based on her current assignment in the Special Operations Division, a number of prominent illegal gambling cases have been the result of calls from people who have been worried about someone in their family that has a problem with gambling. Some popular sports figures have had spouses call and relate that not much of their income makes it home because they have a gambling problem. One of the old cases she worked on years ago was regarding a bookmaker who had been bookmaking with a card room licensed operator who owed him \$600,000 at the height of his debt. The interest on this debt was \$30,000 per month. Although he sought a lot of illegal ways to try and pay, he never really got ahead.

During her work on this issue over the years, she said she has appreciated the Commission's support and with Director Miller's guidance the agency has come a tremendously long way. She said this has become one of the most rewarding issues she has dealt with during her career with the Gambling Commission both personally and professionally, and as Chairman Tull once told her, it is just the right thing to do. There really is no down side to making this information available to people. There has been tremendous success and the agency hopes to continue its relationship with the Council in a very positive way.

Gary Hanson, executive director, WSCPG, gave an overview of how the WSCPG has developed. He said that Ron Rudy of Trade Products, who is also on the WSCPG board, produced the executive summary for free. He gave a presentation with overheads on the history of the Council. He said that in 1991, the WSCPG was formed; it obtained its nonprofit status, filed articles of incorporation and formed a board of directors. The first executive director was hired and the inter-agency task force was formed and included the Lottery, the Gambling Commission, and Horse Racing Commission. A measure passed the legislature recognizing compulsive gambling and initial fund raising strategies were developed and included providing in tribal compacts that fines would go to the WSCPG. In 1992, Deborah Miller-Rost was hired as program administrator on a one-quarter time basis, the first two newsletters were published and the first training workshop was held. The WSCPG provides training for treatment providers but does not provide treatment itself. The first was co-sponsored by the University of Washington Addiction Behavior Research Center, Department of Psychology. In 1992, the youth and adolescent surveys were conducted through sponsorship by the Lottery Commission. The help line was first started with a 1-800 information and referral line, the first few yellow page ads were placed in major metropolitan areas, a state Senate report was issued by the Commerce and Labor Committee about problem gambling, the Gambling Commission began making contributions under a services contract at \$15,000 per quarter, the Lottery began to fund the 1-800 number, and they obtained their 501 (C)(3) status.

Mr. Hanson said that, in 1993, the WSCPG held four training workshops for treatment providers which included the first advanced training; the first statewide conference, "Problem Gambling and the Family," the first training for casino staff, held at the Tulalip Casino; results of the prevalence surveys were presented; legislation that would have created dedicated funding based on gross receipts from the three commissions was formulated in the Legislature and passed the House but failed in the Senate; the inter-agency brochure was completed; and help line activity increased with total gambler-related calls at 257 for the year. The program administrator hours were increased to three-quarter time, media requests increased, and the first help line activity report was produced.

In 1994, **Mr. Hanson** said the help line activity increased to 556 gambler-related calls; he was hired as the executive director; a 30-second public service announcement was produced for radio stations, which prompted a lot more media requests for appearances; WSCPG hosted the eighth national conference on gambling behavior in Seattle; four training workshops were held, one of which was a two-day training and the others were free one-day

workshops for chemical dependency counselors who needed to be aware of compulsive gambling and how to help their clients seek help; WSCPG administrative procedures were strengthened; and a mission statement was formalized to state, "the Washington State Council on Problem Gambling is dedicated to increasing public awareness of the condition of problem gambling and increasing the availability of services for problem gamblers and their families. The Council is neither for nor against gambling." WSCPG gave a number of public presentations, including one to a school and others to public and private social service group; media contacts increased for radio, TV and print media; and the WSCPG gave input on the Legislative Budget Committee report on the Lottery.

Mr. Hanson said that in 1995, the Council became involved with legislation that would have taken \$75,000 from the Lottery advertising budget every year and move it over to the Division of Alcohol and Substance Abuse for a problem gambling program. The bill was introduced in both houses, the House Commerce and Labor Committee held a hearing on this bill, but it didn't go any further. WSCPG expanded its contacts with tribal gaming, including a number of presentations before tribal councils and regulators, and held training for tribal casino staff at four casinos. He said he doesn't want to try mentioning all the tribes that contribute to the Council for fear he will leave someone out. He said that at least three-quarters of the tribes operating casinos have made some type of contribution to the WSCPG. Three one-day training workshops were held for treatment providers in addition to the training at casinos; a presentation was given before the Division of Alcohol and Substance Abuse, which resulted in them being even more interested in the issue of compulsive gambling; they gave presentations before the North American Gaming Regulators Association, the American Bar Association Lawyers Assistance Program, Whidby Island Naval Base, and a number of social and civic groups. Interviews were conducted including an appearance on Northwest Afternoon focusing on a suicide that occurred in Oregon and a FOX Television documentary. Thousands of brochures and other literature were distributed during the year.

Mr. Hanson said the WSCPG is a very active affiliate of the National Council on Problem Gambling. Three people from Washington state serve on the national board of directors – Dr. Maurer, Mr. Hanson, and Sharon Tolton. He said he is the affiliate chair and serves on the executive committee of the national council. Dr. Maurer chairs the help line committee, which has had a major role to play in the last couple years in developing a national help line that all the state affiliates are tied into. Dr. Maurer participated in the North American think tank on youth gambling and the WSCPG participated in an annual conference on problem gambling elsewhere. There were more than 1,800 calls to the help line this year, and over 800 of these were for information or referral, which means they came from problem gamblers or their family or friends seeking information or referral. He said not only has the Gambling Commission increased its funding to the Council, but the industry – particularly the tribal community -- has stepped to the forefront with funding. As a result, staff time was increased from three-quarter time to full time at the end of last year.

Mr. Hanson showed the sign developed by the Gambling Commission that is required in all licensed establishments at the beginning of 1995. He said the telephone calls increased noticeably since the sign began going out. In 1996, training for treatment professionals has continued. A three-day training session was given to tribal treatment providers and others. Three more one-day workshops are planned for this year. They have continued their public awareness program and are working with the Lottery to produce a television PSA. There have already been 634 gambler related help line calls answered this year, which is way ahead of last year at this time. Staff has increased its expertise through training. **Mr. Hanson** said there were hearings during the 1996 legislative session on the same legislation introduced last year, but they were not able to get the bill out of committee. They are trying very hard to develop more interest in this bill in the Legislature.

The WSCPG has been active in the national council and has been influential in re-organizing it, which was more work than anticipated. They have made presentations to several tribes, including the Swinomish Tribe, Chehalis Tribe, Port Gamble S'Klallam Tribe and the Suquamish Tribe. This year, more focus was placed on youth problem gambling and awareness, which will include a statewide mailing to all the school counselors in the state later this year. WSCPG also gave presentations to three school classes. He said another project came their way when a chaplain from the Department of Corrections' Tacoma pre-release center named Brad Krick took one of the training workshops and then received permission to research and begin a pilot treatment program for people coming out of the prison system. The Council is working with Mr. Krick to train his staff and get this program into operation.

The WSCPG continues to look toward fund raising projects. Long-range goals for the future include having even

stronger cooperation and coordination with the industry, state agencies, the recovering community and the health care community. They would like to increase awareness so that people are as generally aware of this as they are alcoholism and substance abuse. They would also like to see specific problem gambling treatment programs available in the state. He said they would like to see 24-hour help line operation linked up to recovering gamblers available when needed. In looking at the help line pie charts, **Mr. Hanson** said while the gambler-related calls increased, training related calls have decreased, which could mean the WSCPG's efficiency has increased through training and mailings, so people don't have to call as much with training-related questions. The expenses were also shown on a pie chart. He then showed television public service announcements regarding problem gambling from Iowa.

Chairman Tull thanked the presenters for an extremely well-organized presentation. He said he knows how hard it can be to take years of activity and effort and summarize it while keeping it interesting.

Commissioner Ludwig asked about the situation in Iowa and what kinds of gambling they have; **Director Miller** said Iowa has riverboat casinos; **Chairman Tull** said Iowa was the first of the boat states. **Dr. Maurer** said they also have completed the first repeat prevalence survey since the onset of boat gambling. One of the WSCPG's goals is to approach the Lottery Commission about doing two repeat prevalence surveys, because the adult survey was done just after the Tulalip Casino opened. The prevalence numbers in Iowa were between double and triple the first study. It makes sense that if you increase the availability of gambling, more people are going to gamble and more people are going to have a problem. **Director Miller** said Iowa started having a loss limit per day, for example not more than \$200. They discontinued the loss limit, though, because Illinois opened with no loss limit and it was difficult to enforce. **Commissioner Ludwig** said it's like limiting drinks of alcohol to cure alcoholism.

Chairman Tull asked if there is ongoing involvement from the licensee community; **Ms. Reed** said yes, and Katy Casey is on the executive council. **Dr. Maurer** said that initially there is a lot of resistance or institutional denial. There was a study done in Great Britain of addiction counselors who rank-ordered values about various forms of addiction and gambling was always at the bottom. Gambling is seen as "morally dirty" in this area. He said as long as balance is maintained in the Council's presentations, eventually even more people will become involved. **Director Miller** said there has been a lot of involvement from the charitable community with regard to sign posting with their own signs and getting information out that there is help available. He said the WSGC provides the mandatory signs. **Ms. Reed** said that in order for licensees to post their own signs, they must receive permission from the WSGC to ensure that the language is the same. There is one sign that is in etched glass, so there was at least one licensee that was willing to put a little money into their sign.

Commissioner Ludwig asked if the Lottery Commission also requires signs in every lottery outlet where there are scratch tickets; **Mr. Hanson** said the Lottery has a small decal. They have a different relationship with their outlets and can't force them to post signs, but they have put heavy pressure on them. There is about 75 percent compliance, which started out at more like 50 percent. **Director Miller** said that, having worked with Mr. Hanson and the WSCPG staff, he has found that they are very efficient and he doesn't know how they could accomplish anymore than they do now. He said it's staggering how many groups they reach with the small budget they have. He said it's very important that the Gambling Commission maintain its support for the Council because it allows them to continue the good work. **Ms. Reed** said that, as Ms. Tolton stated, the WSGC staff is coming up with new policies to issue in light of the present environment.

Commissioner Noel said she is really pleased to see the continued direction of the WSGC staff and the WSCPG and its staff. Her overall philosophy has been and still is that the healthier the gambling arena, the longer it will survive. She said the licensee community should be made aware of this. She said she is happy to be here today to share in this presentation and in Chairman Tull's last meeting. She said he will find that he will always think like a commissioner and notice the signs and gambling issues around him. **Chairman Tull** said Ms. Noel's efforts in this area are still being felt and he thanked her for her prior work and for coming today.

Dr. Maurer presented Chairman Tull with plaque that read, "This distinguished recognition award is presented to Robert M. Tull, Chair, Washington State Gambling Commission, for his sensitivity to and strong voice for the issue of problem gambling, for his consistent support of policy and program development, and for his courageous commitment to keeping the issue prominent. With our deepest respect and gratitude, the Board of Directors and staff of the Washington State Council on Problem Gambling." **Chairman Tull** thanked the Council and said a

number of the presenters came up on their own time to share concerns and their hopes on this issue with the Commission and staff. He said their efforts are helping the people of the state of Washington and the community-at-large. He said he hopes these issues are handed over to the new Commission now that the members know the WSCPG players.

Chairman Tull adjourned the meeting and said there will be a brief executive session following adjournment. He said the meeting would resume tomorrow at 10:00 a.m.

WASHINGTON STATE GAMBLING COMMISSION

MINUTES COMMISSION MEETING FRIDAY, JUNE 14, 1996

Chairman Tull called the meeting to order at 10:10 a.m. at the La Conner Country Inn/Vantage Room, La Conner, Washington.

MEMBERS PRESENT: **ROBERT M. TULL, Chairman; EDWARD HEAVEY; and CURTIS LUDWIG; and Ex Officio Member REPRESENTATIVE RUTH FISHER.**

OTHERS PRESENT: **FRANK L. MILLER, Director;
BEN BISHOP, Deputy Director;
SHARON TOLTON, Assistant Director, Special Operations;
SHERRI WINSLOW, Assistant Director, Field Operations;
CALLY CASS-HEALY, Assistant Director, Licensing;
CARRIE TELLEFSON, Special Assistant, Public Affairs;
JONATHAN McCOY, Assistant Attorney General;
and SUSAN GREEN, Executive Assistant.**

APPROVAL OF THE MINUTES FROM THE MAY 9 & 10, 1996, MEETINGS

Commissioner Ludwig moved to accept the minutes from the May 9 & 10, 1996, Commission meetings in Vancouver, Washington, as set forth in the agenda packet; **Commissioner Heavey** seconded the motion. *Vote taken, motion carried with three aye votes.*

STAFF REPORTS

WSGC Meeting, La Conner
Thursday, June 13, 1996

Bingo Task Force

Mr. Bishop said he is presenting the final report of the bingo net return task force, which was appointed in late Winter last year. Early in the summer of 1995, licensees came to the staff and said the net and gross receipts from bingo were down significantly. The agency analyzes statistics four months behind what the licensees know, so staff were not seeing the decline. In fact, 1995 showed growth. In looking at the third quarter statistics, there was some decline noted, so the staff put together a calendar year graph, which he showed on the overhead screen. He showed overheads of charts indicating that, for the entire 1995 year, there was a 3.4 percent decrease in gross receipts. The periods prior to that from 1987-94 averaged 8.2 percent increase in gross receipts. In looking at the net return, which is the real key figure and what the licensees actually have to use out of the proceeds, it showed that not only was there a major decline in 1995, but that it had been declining since 1991 when net return is measured as a percent of gross.

Mr. Bishop said pull tabs for non-profits also showed a decline, even though prior to 1995 they had been level since about 1992 with a slight decline in 1994 and a larger decline in 1995. Net return for non-profit pull tabs was down dramatically in 1994 and 1995. The majority of nonprofit organizations' pull tabs are sold in conjunction with bingo games, so some correlation is expected. The WSGC staff put together some statistics to try and pinpoint the problem bingo licensees were experiencing. The gross receipts for the period increased by \$47.7 million, or 38.1 percent. At the same time, prizes increased by 40.5 percent; therefore, the net went down. Expenses for the period increased by 50.6 percent. The bottom line is that the money for charity declined by \$91,000. In looking at individual expenses, there was a 334 percent increase in equipment and a 154 percent decline in maintenance. This decline was due to a change in how that expense is reported. Almost 100 percent of the reason for the rise in equipment costs is because of the electronic bingo daubers. The operations that use the electronic daubers pay rent on the machines. These problems were brought to the attention of the Commission in October of 1995 and the director asked the commissioners to pass a moratorium on enforcement of compliance with net return rules. Prior to that, the staff found out by looking at the 1995 fiscal year that the agency was going to have approximately 16 licensees decreasing without the moratorium, which is about 27 percent of those regulated.

Mr. Bishop said that at the October meeting, the Commission passed an emergency rule effective immediately through January 1, 1997, which authorizes the moratorium under certain restrictions. The restrictions included that the licensee must request to be considered, be within 4-1/2 percent of their net return requirements, and they had to freeze all controllable expenses. There were 17 participants in the moratorium. Four of those were found to be in compliance, so of the 17 only 13 would have been downgraded without the moratorium. There doesn't seem to be much of a problem with net return compliance in Southwest Washington, Clark County, and the Tri Cities area. There was, however, one licensee from the Tri Cities who came before the Commission and asked for relief and received specific relief outside of the moratorium.

Mr. Bishop said the Commission directed Director Miller to form a task force to study the issue. He said there are 15 members; 9 are from the group of regulated games (those above Class "F"), three are from smaller games, and three are WSGC staff members. He introduced those present: John Beadle, who represents North King County and Snohomish County; Kevin Crum, representing the South King County area; Dwight Merkel, representing Spokane County and Eastern Washington and is also chairman of the satellite bingo sub-committee; Don Kaufman, also from Spokane County and Eastern Washington; Greg Thomas of the Gambling Commission; and Clyde Bock, who started out on the task force and then switched jobs, but was kept on the task force for advisory purposes.

Mr. Bishop said the members did a lot of work and traveled to the seven meetings. The topics were discussed openly and objectively. The meetings were held around the state in six different locations. Licensees in each location were briefed on the moratorium and their concerns were heard. Everyone wanted to talk about competition with other operators, including out of state competition and tribal gaming. These discussion items did not fall into the area that could be controlled or changed by this group, so these items were taken off the list of discussion topics. Then the four items listed on the report became the main discussion topics: 1) competition between the licensed games, 2) marketing opportunities, 3) a fair and flexible regulatory scheme, and 4) legislative agenda to suggest to the Commission.

Mr. Bishop said the recommendations include mediating competition between licensed games, and the group decided that retaining the net return minimum requirement is the biggest deterrent to games competing against each other in a predatory manner. The group also recommends allowing flexibility to compete, but to make it firm through regulations and a philosophy for enforcement that encourages non-predatory marketing practices, and to swiftly sanction those games not in compliance. They also recommend increased marketing opportunities through promotional activities such as small gifts and coupons; more flexibility to design new games that react to the market, such as the keno bingo that will be on the agenda soon; authorization to offer speed bingo as is played in the tribal bingo halls; and provide more flexibility in the operation of pull tabs, such as the ability to offer pull tabs as bingo prizes and progressive prize pull tabs. All the pull tab items were referred to the study groups and taken out of the task force. Satellite-link games are considered a big competition factor and one of the best ways the charities might be able to increase their market. The staff is not sure if this activity would be legal under the current statute; Jon McCoy has been asked to give the staff an informal opinion. An informal opinion was received from one of the task force member's attorney. They would like to have limited raffle ticket sales by non-members, for which rules are being drafted; use of credit cards for raffle ticket sales; and to offer discount schemes for raffle tickets.

Mr. Bishop said, regarding the regulatory scheme, the task force recommends deleting prize pay-out limits and add other activities to the formula for the consideration of what the actual profit is from the games, including amusement game revenues and raffles that were conducted at the bingo game itself. They recommend removal of Class "D" games from regulation; reduction of the requirement across-the-board by 1 percent due to inflation, which has been a little more than 14 percent since the rule was last modified; authorization for the director to grant variances, which would give the staff flexibility in reacting to specific problems in specific locations as compared to having to adjust the entire state because of one problem; and retain the limits on the licenses for those that were out of compliance and adding one restriction that would reduce a game that's not making money to a very low level and give 90 days to come forward to report as to why additional administrative actions should not be taken.

Mr. Bishop said the task force would like to recommend that the Commission sponsor legislation to authorize satellite bingo games if they are not currently authorized, to allow charities to have card games and charge a fee, and to allow non-member participation in the operation of raffles if that is not currently authorized. In addition, the task force is working toward licensee-sponsored legislation that they would like the Commission to support. This legislation would increase raffle ticket prices to \$100, increase pull tab prices to \$1, decrease the tax rates, authorize traditional keno, and authorize card games for non-members (specifically blackjack).

Commissioner Ludwig asked for an explanation of satellite bingo games and if a prize would be awarded at each satellite location; **Mr. Bishop** explained that it would be a signal beamed from one location to multiple locations via satellite. Predominantly in this case it would be a pooling of prizes after a model being used in Alberta where the cards are sold at every location. That way, people would buy satellite cards for one game and the rest would be normal bingo. The Alberta program has a \$200 consolation prize at each location, and at one location the rest of the prize fund would be awarded to a player. He said this would allow a small game to operate as if it were a big game; for example, the Eagles in Chehalis could be hooked into this game and a player there would have the same opportunity to win a \$50,000 prize, even though there may only be 50 players at his location. In Alberta, the per-player spend has been running about \$8 per player. **Commissioner Ludwig** asked what he means by traditional keno; **Mr. Bishop** said the task force is asking for traditional keno as it is operated in several other states.

Commissioner Heavey asked what the next step will be; **Mr. Bishop** said staff will draft some rules to implement the report and will ask if the commissioners to file them for discussion. **Director Miller** said the staff is asking the commissioners to review the report for discussion at the July meeting so the Commission could let the staff know what direction they'd like to take. He complimented Mr. Bishop on the work he did and said this is a very thorough report.

Commissioner Heavey asked that the rules be drafted by the staff to implement these recommendations and that they be given to the commissioners at least one week prior to the next meeting. He said the report is appropriate.

Director Miller said the time frame is for the rules to be in effect beginning January 1, 1997; **Mr. Bishop** said the task force will be requesting that the rules be put into effect immediately, except the rule regarding the new regulatory scheme. **Director Miller** said that if the rules aren't ready for the next meeting, the staff would want to wait until August; **Commissioner Heavey** agreed that would be a good plan.

Chairman Tull said he feels, in looking at the executive summary, that the process is working the way it's supposed to work. In looking at the executive summary, he assumes these rules would come forward to address the topics of mediating competition, marketing opportunities for licensed games, and working towards the flexibility of the regulatory scheme. The other two items are in the legislative arena and will require a different drafting approach, so the time line is probably to get the proposal to the Legislature in the Fall. **Mr. Bishop** said the agency request legislation must be given to the Governor's Office by August. **Chairman Tull** said the question is, will the commissioners be receiving copies of proposed legislation that would be submitted by the public. If the industry decides to make proposals, they have the option of taking the legislation through the process or seeking informal discussions with staff or more formal discussions with the Commission. The licensee community is not under the same time restrictions, but it would be a good idea to be ready to go in the Fall. **Don Kaufman**, Big Brothers/Sisters of Spokane, said from the audience that the task force's preference would be to support the Commission's agenda. **Director Miller** asked if the non-profits' agenda includes getting into the commercial card playing arena; **Mr. Kaufman** said yes.

Commissioner Heavey said he is concerned about the implications of some of the recommendations, such as the keno bingo suggestion. Keno has implications well beyond just keno, but affects the whole arena of gaming in the state of Washington. Charitable card rooms also have implications well beyond the immediate question. He said the Commission's attorney should look at any proposals and report back on the legal implications. **Mr. Bishop** said the task force fully recognizes that the Commission has not sponsored legislation that would expand gambling, which was the reason for separating these issues. **Commissioner Heavey** asked if the staff was involved in making recommendation for new games, etc., or if the industry representatives made the recommendations. **Mr. Bishop** said he participated in the discussion and he expounded the past philosophy of the Commission regarding expansive items. **Commissioner Heavey** asked if there was a commitment made. **Mr. Bishop** said no, he participated strictly as a member of the task force.

Chairman Tull clarified these are task force recommendations, and that Mr. Miller has not endorsed them at this juncture. When the rules are promulgated, staff will have to decide if that is the recommendation that they wish to give or if they have second thoughts. The purpose of these processes has been to mutually find out what is important, both to the regulators and the industry. **Director Miller** said, as a point of clarification, he purposefully stayed out of the task force discussions so that the group would remain objective. It was majority voting on these issues to come forward as a group. If they go forward in rule making, staff will get more involved on the administration side and come to the Commission with more specificity in the future. **Chairman Tull** thanked Mr. Bishop for his report and said his hope is that, as this process goes forward, he will be able to follow it in the papers and keep informed as to how it's going.

CLASS III GAMING: PHASE II REVIEWS

Chairman Tull said there are two Phase II reviews and the commissioners have these materials included in their handout packets. **Ms. Tolton** said Phase II reviews are thorough and complex reviews that are conducted by the staff of the Tribal Gaming Unit and includes compact compliance areas and when successful, the scope of the activities increase from under Phase I to Phase II. There are two Phase II reviews that have recently concluded and have been recommended for the Commission's review. The first is the Upper Skagit Tribe and the second is the Squaxin Island Tribe. She introduced Mike Tindall and said he will introduce a representative of each tribe at the conclusion of each report.

Mike Tindall, Program Manager for the Tribal Gaming Unit, gave an overview of the Phase II review procedures. He said that before a review is performed, a team of agents is selected and given specific assignments to ensure that all Class III areas of the facility are completely reviewed. Staff observe the activities and review records maintained to determine compliance. The areas of specific review are as follows: to ensure compliance with the tribal-state compact including appendix A, all department with the facility are looked at critically. These include the gaming departments, security, surveillance, cashiers cage, soft count, and the accounting division. In addition to comparing procedures to the compact, staff also compares procedures to the documented internal controls submitted by gaming operators and approved by staff. The internal controls that the gaming operators submit are supplemental to Appendix A of the compact and frequently have much more extensive requirements. Next, the

local law enforcement agencies are contacted and a determination is made whether there has been any adverse impacts to the surrounding communities. Staff also speaks with federal authorities, specifically the National Indian Gaming Commission, to determine if there are any sanctions imposed on the tribe for violations of the compact or IGRA. The tribal gaming agency and the tribal gaming commission are also reviewed to determine if they are functioning as the primary regulatory body within the facility. Staff reviews the programs that have been established for regulatory oversight along with reports and actions that have been taken since the commencement of operations. Staff also reviews the specific experience and training of each of the tribe's agents to determine the level of competence. After completing the review, staff conducts an exit conference with tribal gaming agency personnel, tribal officials, and operations personnel. At that point, staff discusses their findings and explain any issues that arose. The commissioners have copies of the final report.

UPPER SKAGIT TRIBE

Mr. Tindall introduced Julie Lies, supervisor for the North District. **Ms. Lies** said the Upper Skagit Tribe has approximately 99 acres located in Skagit County, including areas that are used for governmental and community centers and areas that are used for commercial development. The tribe has approximately 676 enrolled members and offers more than 40 governmental services. Tribal Chairman, Floyd Williams, and Governor Booth Gardner signed the tribal-state compact on December 21, 1992. There has been one amendment to the compact since the signing changing section three regarding nature, size, and scope. The tribe has selected The Promise Companies d/b/a Harrah's Washington as their facility's management company and financier. The gaming operation employs 712 individuals, 41 are tribal members, 58 are members of other tribes, equaling 13.9 percent tribal employment.

During the review, it was determined that there had been no sanctions imposed by the Federal District Court. There have been no unresolved or material violations of the compact or Appendix A. Minor violations of the compact found during the review were addressed by Gaming Operations or the Tribal Gaming Agency. There have been no material adverse impacts to public safety or welfare in the surrounding communities. The Upper Skagit Tribal Gaming Agency has been a strong regulatory presence in the gaming facility since it opened. The agents have complimentary experience which is reflected in their regulatory programs and reporting systems. As of April 30, 1996, \$115,242 has been accrued towards the two percent community contribution. No contributions have been made to date, but the Tribe has a memorandum of understanding explaining the process for awarding this money. \$49,138 has been accrued as of April 30, 1996 from the charity table operated in the facility. No disbursements have been made from the charitable table either. In conclusion, staff recommends that the Upper Skagit Tribe be allowed to implement the Phase II limits of the facility.

Randee Kerns, Executive Director of the Upper Skagit Tribal Gaming Regulatory Commission, introduced Floyd Williams - Chairman of the Tribal Council, Doreen Maloney - Tribal Council Member and acting General Manager of the Tribe, Harold Chesnin - Tribal Attorney, Andy LaChappelle - Director of Casino Operations.

Doreen Maloney, said they are pleased to be before the Commission today. She acknowledged that, under the direction of the General Manager, Don Bush, and Andy LaChappelle, a good working relationship has been developed. It is difficult to set up a new facility; it is hard to understand three jurisdictions that regulate. She said they've made a few mistakes, but they have learned and are going forward. **Chairman Tull** asked if there were any questions from the commissioners; no one had questions.

Mr. Tindall said the community contribution and the charitable table options are built into the compacts and staff monitors those closely along with the tribe. Those options have had a significant impact in developing good relations between local communities and the tribe and in offsetting some of the negative effects of the competition that exists between licensed gaming and tribal gaming. He said staff recommends approval for the Tribe to move to Phase II levels of operation. **Chairman Tull** explained that the Commission developed the Phase II idea a couple of years ago at the same time as the discussion took place about allowing betting limits to increase and some expansion of the size of facilities. The Commission at that time determined that if there was an ability to specifically evaluate existing facilities before they went to a higher limit, then it would be relatively easy to assure the public that higher limits weren't going to cause regulatory problems. In fact, in some cases, the exercise has allowed the Gambling Commission to help some of the tribal agencies to straighten out some problems. He said that in this instance, he felt the Upper Skagit Tribe had the advantage of seeing how some of the earlier structures have evolved.

Commissioner Ludwig asked how the charitable table is set up in the compacts and run by the tribes; **Mr. Tindall** said it allows the tribe the option of designating tables so that the money coming off those tables goes directly to charitable proceeds. The tribes are given an option if they choose to put in 32 tables instead of 31 in Phase I and take a 1/32 of the daily net win and apply that to the tribe's charitable programs. However, some tribes choose not to exercise this option. **Commissioner Ludwig** asked which option the Upper Skagit Tribe has chosen. **Mr. Tindall** answered that the Upper Skagit Tribe has chosen to take the 1/32 option.

Rob Saucier, WSLBA, said the Peninsula Daily News ran an article about the Seven Cedars Casino that said the 2 percent contribution that this tribe is required to pay has been paid once when they started and they have not made payment since. In all the legislative hearings he has participated in, the 2 percent contribution figure has been a major factor. He asked if things like this are allowed to occur, it should be a part of the Phase II process. He said he heard that the 2 percent community contribution was accrued, but is it sitting in an impound account or is it just on their books? He thinks that it is appropriate that if there is an agreement to pay the 2 percent, then let's make sure it is paid and the money goes where it is supposed to go.

Chairman Tull said that the Upper Skagit Tribe has a memorandum of understanding that will institute the distribution process. The items for distribution have been worked out with the local fire district, the sheriff's department, the state patrol and others. The Upper Skagit process is proceeding just as Mr. Saucier has suggested. He said in the case of the Jamestown S'Klallam Tribe, he asked Director Miller to indicate the policy considerations of when that ostensible breach of a compact would produce an enforcement action. **Director Miller** said the Jamestown S'Klallam Tribe has a tribal operation that is not doing well financially. They have laid off more than half of their employees. They are not making money. Staff has received a commitment from their chairman to make good on the money they owe. Staff is currently negotiating and working with the tribe to try to solve this problem. The remedy could be to seek injunction and closure of the facility, but that would probably be fatal and staff feels the proper thing to do is to continue to negotiate. When this compact was negotiated, staff thought the community contribution was a tremendous opportunity. The state has no ability to tax tribes and that would be considered bad faith. The tribes agreed to do this on a voluntary basis and staff always thought there would be profit, but in this situation, there is no profit at this point in time. That is why they are unable to make their payments. Staff hopes that this situation will be resolved in the future.

Ms. Maloney said she wanted to remind everybody that the tribe is only 1/3 of the vote to determine how the funds are distributed. It does take a while for three governments to agree. **Chairman Tull** said Mr. Saucier also asked about custody of these funds and said the compact states the funds remain in the custody of the tribes, but they must be distributed. **Ms. Maloney** replied that they have not only identified the amounts but also who receives the funds. **Mr. Tindall** said this issue is looked at during the Phase II review. The Jamestown S'Klallam Tribe was current as staff proceeded with the Phase II review.

Commissioner Heavey moved to approve; **Commissioner Ludwig** seconded the motion. *Vote taken; motion carried with three aye votes.*

SQUAXIN ISLAND TRIBE

Mr. Tindall introduced Dave Trujillo.

Mr. Trujillo said The Squaxin Island Tribe has approximately 1600 acres plus another 350 acres on the mainland. The tribe has approximately 480 enrolled members and offers four commercial businesses. Tribal Chairperson, David Lopeman, and Governor Mike Lowry signed the compact July 27, 1993. There has been one amendment since the signing date, which addressed issues regarding nature, size, and scope. The tribe has selected Foxwoods Management Company to act as the management company of the operation. The tribe has also received financing from the Mashantucket Pequot Tribe in Connecticut. The gaming operation employs approximately 354 employees, 47 of those employees are Squaxin Island Tribal members, 12 are spouses of tribal members, and 46 are Native Americans from other tribes, equaling approximately 33.8 percent tribal employment.

Through March 1996, the gaming operation had accrued approximately \$82,033 for the community contributions and to date, the tribe has made six distributions. Those distributions totaled approximately \$41,000. During the review, the WSGC staff determined that there were no sanctions imposed on the tribe by the Federal District Court or the National Indian Gaming Commission. There have been no substantial and repeated violations of the tribal-

state compact and Appendix A. Items that staff did discover during the review have been or are in the process of being corrected. There have been no adverse impacts on the community. The Squaxin Island Gaming Commission has been functioning independently and assumed the role of a primary regulatory body in the gaming facility since it was opened. Their agency has established rules and regulations and initiated many programs for reviewing casino operations. They've developed a system of reporting unusual occurrences and compact violations. They generate licenses for employees of the gaming facility. Staff recommends that the Squaxin Island Tribe be approved to implement Phase II limits at their facility.

Commissioner Ludwig moved to adopt staff's recommendation to approve; **Commissioner Heavey** seconded the motion. *Vote taken; motion carried with three aye votes.*

Ms. Tolton said there are now eight facilities operating at Phase II levels. **Director Miller** said each review involved 500 hours of staff time.

Chairman Tull introduced former commissioner Ann Noel.

ALLOWING ADDITIONAL BINGO GAMES TO BE PLAYED CONCURRENTLY WITH OTHER BINGO GAMES
Filed as a *Pre-proposal Statement of Inquiry (CR-101)* under WSR # 95-21-026 and a *Proposed Rule Making (CR-102)* under WSR #96-07-072. For discussion and final action.

Amendatory Section WAC 230-08-080 – Daily records – Bingo

Amendatory Section WAC 230-08-105 – Disposable bingo cards – Inventory control record

Amendatory Section WAC 230-20-101 – Income from bingo games – Receipting required.

New Section WAC 230-20-104 – Cash register method of receipting bingo income.

New Section WAC 230-20-105 – Ticket method of receipting bingo income.

New Section WAC 230-20-106 – Electronically generated bingo card method of receipting bingo income.

New Section WAC 230-20-107 – Disposable (throwaway) bingo card method of receipting bingo income.

New Section WAC 230-20-108 – Combination receipting method of receipting bingo income.

Amendatory Section WAC 230-20-240 – Bingo equipment to be used.

Amendatory Section WAC 230-20-241 – Player selection games

Amendatory Section WAC 230-20-242 – Activities conducted as a part of bingo games – Authorization – Restrictions.

Amendatory Section WAC 230-20-246 – Manner of conducting bingo.

Ms. Tellefson said these 12 rules are up for final action today and were held over to today's agenda last month in order to do some minor wordsmithing on a few rules. The rules refine and clarify the methods of receipting for bingo. They also authorize powerball games and include some housekeeping changes. Staff recommends adoption of this package.

Chairman Tull called for any public testimony on the rules.

Kevin Crum, Washington Charitable and Civic Gaming Association (WCCGA), said the WCCGA has worked with staff for a number of months on these rules and strongly encourage that the rules be adopted. He also publicly thanked Ben Bishop for his hard work on the task force.

Commissioner Ludwig moved for final adoption of these rules; **Commissioner Heavey** seconded the motion. *Vote taken, motion carried with three aye votes.*

Chairman Tull thanked the members of the bingo industry who have worked hard with staff to make significant rule making processes smooth.

HOUSEKEEPING

Pre-proposal Statement of Inquiry (CR-101) not required pursuant to RCW 34.05.310(4)(d). Proposed Rule Making (CR-102) filed under WSR #96-10-050. For discussion and final action.

Amendatory Section WAC 230-02-035 – Field offices and operations

Amendatory Section WAC 230-50-800 – Petitions for rule making, amendments, or repeal.

Ms. Tellefson said these are two housekeeping amendments that are up for final action. One lists the correct addresses of the field offices, and the other adopts OFM's guidelines for rule making changes. Staff recommends final adoption.

Chairman Tull called for public testimony on the rules. No one came forward. **Commissioner Ludwig** moved for final adoption; **Commissioner Heavey** seconded the motion. *Vote taken, motion carried with three aye votes.*

PETITION FROM TECHNIK MANUFACTURING AND UNIVERSAL MANUFACTURING TO AMEND PULL TAB DISPENSING DEVICE STANDARDS

Pre-proposal Statement of Inquiry (CR-101) not required pursuant to RCW 34.05.310(4)(d). Proposed Rule Making (CR-102) filed under WSR #96-10-049. For further discussion and final action.

Amendatory Section WAC 230-30-097 – Standards—Approved pull tab dispensing devices

Ms. Tellefson said this is a petition proposed by Technik and Universal Manufacturing. Representatives from Technik and Universal attended the last meeting but were unable to attend today's meeting. The petition requests a change in the standards for pull tab dispensing devices, setting forth a different standard for jar ticket dispensers so that either all tickets are clearly seen or the dispenser would have a resettable counter. It would not require the permanent lines or markings so that patrons could see the number of tabs left, which is required on the regular pull tab dispensers. The machine is displayed at the back of the room.

Staff recommends final adoption.

Chairman Tull called for public comment. No one came forward.

Commissioner Heavey moved for final adoption; **Commissioner Ludwig** asked for clarification on which company is sponsoring this petition; **Ms. Tellefson** said both Technik and Universal manufacturing companies have requested this rule change. **Commissioner Ludwig** seconded the motion. *Vote taken, motion carried with three aye votes.*

KENO BINGO

Filed as a Pre-proposal Statement of Inquiry (CR-101) under WSR #95-21-026 and a Proposed Rule Making (CR-102) under WSR #96-11-074. For further discussion with possible final action in July.

Ms. Tellefson said this rule authorizes keno bingo, which is a variation of bingo. Staff recommends further discussion with possible final action in July. The changes that were set forth are that prize payout standards would apply in this case.

Chairman Tull called for public comment. **Kevin Crum** asked that language be inserted to state the effective date would be August 1, 1996. He said they'd like this to be effective as soon as possible and prior to January 1997.

Commissioner Heavey asked what the difference is between keno bingo and traditional bingo. **Ms. Winslow** said keno bingo is operated just like a regular bingo game would be operated with 75 numbers as opposed to the 80 numbers in normal keno. Staff has set up structure that limits the amount of "ways" individuals can play as opposed to a keno game where there are several different "ways" to play. Staff tried to gear this more towards a regular bingo activity. **Commissioner Heavey** said he recalls a lawsuit in California where keno was authorized and that opened up other gaming activities that had to be allowed in the event of tribal participation. He asked if staff might have a similar problem with keno. **Director Miller** said keno is already authorized for tribal casinos because keno was already authorized in the state at fund raising events.

Chairman Tull moved to include the amendment to insert an effective date of the first of the month following adoption by the Commission should that occur. **Commissioner Heavey** seconded the motion. *Vote taken, motion carried with three aye votes.* **Chairman Tull** said this item will be on the agenda next month for additional testimony.

EMERGENCY CARD ROOM RULE TO IMPLEMENT SUBSTITUTE SENATE BILL 6430 (SSB 6430)

Filed as a Pre-proposal Statement of Inquiry (CR-101) under WSR #96-07-071. For discussion and possible filing of a Proposed Rule Making (CR-102).

Director Miller said during the last Legislative session, members of the Licensed Beverage Association and the Cardroom industry went before the state Legislature seeking changes to the definition of "social card game." Predominantly the intent was to get house-banked blackjack, increased tables, progressive jackpots, and the ability to have different methods of collecting fees, first and foremost, the ability to use a rake. A rake is taking a percentage of each winning hand. The current system allows for so much per hour. After great debate, the bill was amended and the house banking provision was removed. The legislature gave much greater discretion to the Commissioners by deciding that the Commission would determine how many tables a card room would have, not to exceed 15. The Commission is also authorized to determine the method of collecting fees. This gives the agency much broader discretion in this arena. The intent behind this was certainly that card rooms are facing a very difficult time right now. The revenues are down close to 30 percent, in some situations revenues are down even more. This was an attempt to help some card rooms stay in business.

Director Miller explained that Commission staff has focused on two areas in card rooms, credit and bookmaking or illegal activities associated with bookmaking. Regulation of card rooms has not been a priority for the agency because of the size and numbers and the fact that card rooms are usually self-policing. With the change of this law, there is an opportunity to have somewhat larger card rooms, with up to 15 tables. For the most part, many card rooms cannot use 15 tables because the market is not there to support a card room that size. However, the method of collection is changing to a rake from the hourly collection fee. These legislative changes, along with progressive jackpots, require the Commission to regulate this activity more effectively. Staff's view on how to do this is to enter into a one year test. The test would allow us to negotiate a contract with each licensee that wants to participate. The contract would set forth the terms and conditions upon which each licensee would conduct their card room operation. It is staff's intent to have uniformity here but staff also wants the flexibility to adjust for different locations, ideas, and schemes. The rules for operation would be the contract. Each contract would have to be approved by the Commissioners.

By next April, staff's goal is to have studied this while working with the industry to come before the Commission with a rules package implementing a much better, more thorough product. Hopefully, this would be a model program for the regulation of card rooms.

The licensees have the right to do different things: different tables, higher number of tables, progressive schemes, rake, etc. Their fee will be based on what level they choose to participate in the test. The impact on staff is estimated to be 3 full time employees to regulate this for the year. These employees would be paid for by additional revenues to participate in this test.

WSGC staff requests one amendment, under paragraph (5), where it says "a non-refundable deposit", staff would like that to read "the preliminary non-refundable license fee deposit."

Commissioner Ludwig said he supports the idea of tests in order to see if these kinds of new ideas will work.

Chairman Tull asked if each contract would become an individual rule change.

Director Miller replied that was not staff's intent. The Commission would approve the contract.

Chairman Tull said it might be a good idea to adopt each contract as a rule because delegation to regulate doesn't instantly evolve into entering into contracts for regulation. If what is brought forward is an agreement that could then be adopted as a rule by the Commission, that would help clear some potential hurdles.

Chairman Tull then asked for public testimony.

Rob Saucier, Mars Hotel Corporation and Washington State Licensed Beverage Association (WSLBA), said the card room industry has gone from 122 card rooms in the state to less than 90. The impact is still affecting the card rooms. Revenues have dropped another 30 percent in the last quarter. Another card room just closed in Spokane in the last month. It is difficult to lobby the legislature and get them to pass anything. The Legislature was very attentive and supportive and they even passed WSLBA's bill.

He said WSLBA supports the Commission's rule making process; however, some licensees he talked with are concerned that there is going to be too much regulatory bureaucracy that is not going to allow them to do the things that they fought so hard to get. Their concern is that it will require additional meetings, it will require negotiations for the contracts and then come back to the Commission. He recommended that paragraph three be modified to treat the contracts as the licensing scheme is treated now. He suggested that when a licensee has reached an agreement with the Director, that they can implement those changes at that time, but the Commission would have the line item veto on any portion of the proposed contracts.

Chairman Tull said it is difficult, without seeing what the contracts are going to look like, to decide if that conditional implementation would be appropriate. **Director Miller** said he does not support Mr. Saucier's proposed amendment. He feels Commissioners and staff need to go through this process together. He feels the Commission should be aware of the terms of each of these conditions. **Chairman Tull** said that once the Commission sees these contracts, it will be clear whether or not they are falling into patterns.

Representative Fisher asked how many are expected to participate; **Director Miller** said not many will participate because it will be expensive to implement. He said maybe 10 to 20 licensees.

George Teeney, LaCenter, said he would like to see a set of standards that the Commission may set forth to give guidelines to make these contracts. **Chairman Tull** said there should be some prototype contracts that come forward with this rule proposal. **Director Miller** said staff is trying to have great flexibility in this situation. He does not support proposing standards. He believes the rule is broad enough to give great discretion to the Director and staff to negotiate these and then have the Commission input to finalize it.

Chairman Tull said he supports letting this test commence. He said he would assume that if this goes forward, any significant legal issues could be brought forward and discussed at next month's meeting. **Mr. McCoy** indicated that he agreed.

Commissioner Ludwig moved to approve staff's recommendation to adopt a new section, Washington Administrative Code (WAC) 230-40-999 as an emergency rule; **Commissioner Heavey** seconded the motion. **Chairman Tull** said this particular rule calls for the beginning of a process more than the particular establishment

of firm rules. **Mr. McCoy** said that this is a new program passed by the Legislature, and as such, the agency has the discretion to set fees for the project. There is also the issue of Initiative 601, which only allows incremental increases, so these fees may be too high or too low. That is part of the purpose of the pilot project - to determine what the fees are going to be. *Vote taken, motion carried with three aye votes.*

PETITION BY A COALITION OF COMMERCIAL GAMING INDUSTRY ASSOCIATIONS TO IMPLEMENT SSB 6430

Director Miller said staff does not support the petition presented.

Mr. Saucier said the following should all be removed from the petition: WAC 230-04-XXX, 230-08-XXX, 230-40-057, 230-40-222, 230-08-090, 230-40-060. He said they are proposing the remaining rules be adopted as emergency rule changes. He said the intent for doing this is that of the 90 card rooms of this state, there is probably only 15 of them that even have an active business anymore. The numbers drop off pretty dramatically after you look at the first 15 or 20 card rooms. There are a lot of little card rooms that are not going to participate in the test because for them it is a big deal to just be able to drive to a Commission meeting. There are two rules in this package they would like to see amended in their petition; the first is WAC 230-40-050. The first paragraph needs some housekeeping revisions, primarily because it refers to items that are going to be included in the test.

Chairman Tull asked what these amendments will do and why they want to go forward with the remaining parts of the petition. **Mr. Saucier** said for example, SSB 6430 removed any limitation that licensees had before on the collection of fees and specifically licensees have been and are now prohibited from collecting fees in excess of three dollars per half hour. SSB 6430 eliminated the limit on fees and allowed the licensees to collect whatever the market decides it can bear. One of the problems that card rooms are having across the state is they are unable to compete with the tribes on games particularly where the limits are a \$10 bet in each betting round up to a \$20 bet in each betting round. What is happening is as players get more involved in the card room and want to elevate, they end up leaving that card room and going to the casinos. One of the most important things we can do for the card rooms, especially those poker card rooms is to allow them to increase their betting limit up to \$25 as compared to the tribes which have \$250 in Phase I and \$500 in Phase II.

Chairman Tull asked for any other major points to be considered for emergency filing; **Mr. Saucier** said there are no more major points. **Commissioner Ludwig** said the commissioners only received the written materials this morning and he asked if waiting until next month would present problems. **Mr. Saucier** said he apologized for the tardiness of these materials. **Mr. Gary Murray** said as far as a small card room is concerned regarding which way to go with following recommendations that Mr. Saucier proposes, or going with the test may be determined on whether the Commission approves the petitioned changes or if licensees have to submit their own contracts and apply those fees to what licensees want to do. **Commissioner Ludwig** asked if they could negotiate these rules with the director and staff prior to coming forward to the Commission for approval. **Mr. Saucier** said they would have to pay the fee if they participate in the test. **Director Miller** said the staff's position is that card room operators should be part of the test and work with the staff.

Commissioner Ludwig asked if there is any conflict between the proposed amendment to WAC 230-02-110 and paragraph (7) of 230-40-055. **Mr. Saucier** said that they do not conflict. The second item is tournament fees. The first item actually was staff's recommendation so that fees that go into the player-supported progressive prize fund are not gross receipts since the licensees are only the technical custodian and are never in receipt of those funds, therefore, licensees would not pay taxes on money that is not income to them. **Director Miller** said that would be in the contract. **Mr. Saucier** said they only want to take the limit of \$3 per half hour off.

Commissioner Heavey said he is not going to vote on any other emergency rules besides the one on which he already voted. **Chairman Tull** said that a vote could be taken on the petition, but there would not be three votes, or the petition could be held over until next month, at such time when there may be a different outcome. **Mr. McCoy** said the standard for emergency filing is for protection of the public, and WSGC staff's proposal seems to fit that definition.

Chairman Tull set this petition over until next month. **Mr. Saucier** asked if these should be filed for discussion today; **Mr. McCoy** said that by tabling them, they are not filed.

EFFECTIVE DATES FOR COMMISSION RULE MAKING ORDERS

Pre-proposal Statement of Inquiry (CR-101) not required pursuant to RCW 34.05.310(4). For discussion and possible filing of a Proposed Rule Making (CR-102).

New Section WAC 230-12-005

Effective dates for commission rule making orders.

Ms. Tellefson said this is a new rule. Staff drafted the rule to formalize the Commission's general policy regarding the effective dates of rule making orders. It says that rule making orders that are passed during the months of January through June would become effective during the month of July and rule making orders passed during the months of July through December would become effective during the month of January, with exceptions if the Commission specifies. Staff recommends filing for further discussion.

Commissioner Heavey moved for filing; **Commissioner Ludwig** seconded the motion. *Vote taken, motion carried with three aye votes.*

UNFINISHED OR OTHER BUSINESS

CORRECTION

Amendatory Section WAC 230-04-120

Licensing of distributors

Ms. Tellefson said this is a correction to the previous filing of WAC 230-04-120 in which the version that was filed with the Code Reviser's Office was missing some language regarding the requirement that those who supply class III gaming activities also be licensed. Staff re-filed the rule with the Code Reviser's Office and this does not need to be voted on. **Commissioner Heavey** acknowledged the correction.

ELECTION OF CHAIRMAN and VICE CHAIRMAN

Commissioner Ludwig nominated Commissioner Heavey as the next chairman of the Gambling Commission; **Chairman Tull** seconded the nomination with the amendment to nominate Commissioner Ludwig as vice chairman. **Commissioner Ludwig** accepted the nomination; **Commissioner Heavey** seconded the motion. *Vote taken, motion carried with three aye votes.*

APPROVAL OF PULL TAB DISPENSING DEVICE

Commissioner Heavey moved to approve the Universal jar ticket dispensing machine at the back of the room. **Chairman Tull** seconded the motion. *Vote taken, motion carried with three aye votes.*

FAREWELL TO CHAIRMAN TULL

Chairman Tull passed the gavel on to Commissioner Heavey, who will serve as the next chairman.

Commissioner Heavey presented on behalf of the Gambling Commission and staff a plaque that says, "Robert M. Tull, Commissioner, in recognition of 11 years of distinguished public service, the Washington State Gambling Commission, 1985-1996."

Commissioner Heavey said he felt it was important to note that 11 years ago probably 30 percent of the present world's population was not born.

Floyd Williams, Chairman, Upper Skagit Tribe, said the Tribe has some gifts for Chairman Tull to remind him of the Upper Skagit Tribe and of the good working relationship they've had together over the last few years. He said he is grateful for the Gambling Commission and said that through all the confusion they are able to come out with flying colors. He presented Chairman Tull with Western Washington red cedar items made by tribal members. He thanked Chairman Tull for all he's done.

Randee Kerns, executive director of the Upper Skagit Tribe, said that, as a citizen of the state and former WSGC staff member, he'd like to thank Chairman Tull for his dedicated service to the citizens of the state of Washington. Through the past 11 years, his guidance, his steady hand and his reasoned influence have been of great help to everyone who has come before the Commission or worked for it. He said the citizens have been very fortunate to have him working for them. He said he first met Mr. Tull at a conference at the Tyee Hotel, and as a staff member, he wondered what this new commissioner was going to be like, but Mr. Tull has always met or exceeded every expectation he had.

John Beadle, Seattle Junior Hockey and representing the Washington Charitable and Civic Gaming Association, said he believes Mr. Tull is the longest serving commissioner since the Gambling Act was passed in 1973. During the years Mr. Tull has been a commissioner, the bingo industry has come a long way. He said the industry has had increased competition and, through Mr. Tull's professional leadership and direction, they've created many new marketing opportunities to ease that pain. He said the nonprofit organizations of the state of Washington sincerely and deeply appreciate the outstanding dedication and leadership he has provided over the last 11 years. He presented Chairman Tull with a brass telescope inscribed as follows: "Presented with the deepest appreciation for your outstanding support of the nonprofit organizations of the state of Washington, WCCGA, to Robert M. Tull, Commissioner, Washington State Gambling Commission, 1985-1996."

Chairman Tull thanked the WCCGA for the beautiful gift and kind remarks.

Commissioner Heavey asked if anyone else wished to make any comments.

Mr. Saucier, Mars Hotel and representing the Washington State Licensed Beverage Association, said that several months ago he testified before the joint Commerce and Labor legislative committee and made comments at that time about which he still feels strongly. He said the Gambling Commission is the best run agency that he has ever worked with, and he has worked with many state agencies. By far, he said the WSGC should serve as a model for fixing other agencies that don't work as well. He said this has occurred on Chairman Tull's watch and the WSLBA appreciates that it was his leadership, as well as the staff, that has made the Gambling Commission into what it is today.

Chairman Tull said he enjoyed a great gathering last night with friends, staff and commissioners, some of which fall into more than one category. He said it's great to have Ann Noel come back, the recognition has been wonderful, and in addition to the fine material things he has received today, he said he got the better of this deal a long, long time ago. He said he's learned more than he's taught and it's been more fun sitting on the Commission than working in the industry. He looks forward to many years of ongoing friendship with many of the people present. He said it's been a great experience. He said he had heard about Mr. Saucier's comments to the Legislature about this agency and he was deeply gratified that he made those comments and that at least some folks agree with him in that regard. He said this agency has evolved and will continue to evolve. For those who work elsewhere in regulatory endeavors, it would be a better world if the working relationship that exists between the regulated community and the regulators existed on a wider basis. The activities regulated in other realms would end up being better regulated, in some cases less regulated, in other cases more regulated, and there would be fewer problems. He said he spoke to a North American Gaming Regulators Association conference a year ago in Vancouver, B.C., and made the comment that "the job of this Commission is to regulate the hell out of gambling," and his sense of purpose is that the state can't stop gambling and shouldn't even try because it's so important to so many people economically these days, but it can sure be made something that is not a source of embarrassment or trouble for those who have peripheral or even more central roles. He said he appreciates the support he's gotten from members of the Commission, both past and present, and relationships with representatives of the legislature have become stronger over the years, which he hopes can be maintained. He

noted he is particularly fond of the staff of the Gambling Commission -- people out in the field and people in Lacey. He said they are good folks who work hard, know what they are doing and try to do the right thing, and they do so.

He said he wishes members of the audience good luck and said they are all doing important things. The people at the charities know how important he thinks their job is, and he hopes that the ongoing competitive situation can be kept usable. He said it's going to be tough, but the brain power that's represented in the industry, combined with the political clout of the board members and others have at least give the charities a fighting chance. He said friends at the various tribes have done a great job and the cooperation and support is going to be important to keep all this from getting "blown up" in the future. He said he hadn't planned to say so much, but he got to thinking about the different years and the different components. He said he came out on the winning side of all of this.

Commissioner Heavey said it has been his privilege to work with Mr. Tull for the last two years and he considers him to be one of the most outstanding individuals that he's had the opportunity to work with in his many years of public service. He hopes that the Commission can follow the fine example that Mr. Tull has set. He said he would try to run the meetings as fairly and openly as he has during his tenure as chairman. He said he hopes the Commission can respond to the needs of the industry and the public as the Commission has in the past. This is a relatively new Commission and he is the senior member with only two years of experience, and Commissioner Ludwig has only four or five months of experience. He asked for the patience and help of the licensees and staff to help the new Commission understand the issues before them. He said the Commission looks forward to continuing the wonderful working relationship that exists between the staff, the industry and the Commission.

Commissioner Heavey adjourned the meeting.

NOTE: THESE PRINTED MINUTES PLUS THE TAPES CONSTITUTE THE FULL MINUTES.

Susan D. Green
Executive Assistant